paid by anybody. It will come to our own coffers through the Tahsildar. From that point of view, I welcome this Bill and give my full support to it.

Motion put and carried

Secretary to the Council: The title of the Bill is the Cochin Port Roads Control Bill*.

Mr. N. S. Radhakrishna Sarma *(Legal Remembrancer):* I request that the President be pleased to suspend Standing Order 32.

Mr. President: The S. O. is suspended.

Mr. N. S. Radhakrishna Sarma *(Legal Remembrancer):* I request that the Bill be taken into consideration.

Motion put and carried

Clauses 2 to 10 and schedule put and carried

Clause 1 put and carried

Title and Preamble put and carried

Mr. N. S. Radhakrishna Sarma *(Legal Remembrancer):* I request that the Bill may be taken up and finally passed tomorrow.

Mr. B. V. K. Menon *(Offg. Commissioner of Excise):* I second it.

Motion put and carried

RESOLUTIONS

(a) Government Resolution

Guarantee by Government of the further debentures issued by the Land Mortgage Bank to the extent of Rs. 20 lakhs

Mr. P. V. Raphael *(Comptroller of Finance and Accounts):* Sir, I beg to move the following resolution for the acceptance of the House. "*This Council recommends to the Government that the further debentures issued by the Land Mortgage Bank to the extent of 20 lakhs may be guaranteed by Government both in respect of interest and principal.*"

In commending this resolution for the kind acceptance of this House, I do not think any lengthy speech is required. Hon'ble members may remember that five years ago this House permitted the Government to guarantee to the Land Mortgage Bank the issue of debentures and overdrafts to the extent of 20 lakhs. These debentures were issued from time to time in series of five lakhs of rupees and of all these, three such series have already been issued. There remains only 5 lakhs and against this five lakhs, the bank has already drawn overdrafts to the extent of two lakhs. There remains only an amount about three lakhs more and when this is also drawn, the fourth series of debentures will be issued and the bank will then be without funds for carrying on its normal avocations. The bank has, therefore, requested the Government to guarantee a further sum of 20 lakhs of rupees and the Government propose to give them this guarantee so that the bank which is doing very useful and good work among the poor agriculturists of the State may carry on their work. The usual collections of the bank will not be sufficient for them to go on with their lending operations. The usual annual collections amount to about a lakh and fifty thousand rupees against which they have to pay annually a loan of about three lakhs of rupees. But from these collections, they have to spend about a lakh of rupees for paying interest on their debentures, overdrafts and also to meet their establishment, travelling, contingent and other expenses. So that there remains only about fifty thousand rupees against which they have to spend on an average about three lakhs of rupees in giving loans to the various agriculturally indebted people. We have, therefore, to come to their aid and give a guarantee of 20 lakhs of rupees and I beg to request that the House may be pleased to sanction this proposal of the Government.

Mr. V. K. Aravindaksha Menon *(Chief Engineer):* I second it.

Mr. P. K. Madhava Menon *(Narakkal):* May I know Sir, what is the rate of interest?

Mr. P. V. Raphael *(Comptroller of Finance and Accounts):* The rate of interest has not been fixed because the debentures which we are now proposing here will be issued only after about a year and we do not know what the condition of the money market will then be. We cannot say anything definite with regard to the rate of interest that will be fixed for the guarantee that we are now proposing to give. But I can assure the House that the Board of Directors in consultation with the Government will take all the relevant factors then existing and so fix the rate as not to affect the bank's interest and the interest of the poor agriculturists.

Mr. K. M. Ibrahim *(Cranganur):* Sir, I would like to tender one piece of criticism regarding the working of the Land Mortgage Bank at this juncture of the discussion of the motion.

*Appendix III.

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My impression, Sir, of the working of the Bank is that so far the bank has been of use mainly to the rich agriculturists of the country. I will just illustrate what I mean by "rich agriculturists". I am not on definite, actual, correct, mathematical figures of the thing, but depend on the experience of others on the working of the bank as well as my personal information about its working. I am constrained to make this rather adverse criticism from a sense of duty. I have already submitted to the House that the Land Mortgage Bank has been of any material avail only to the rich ryots of the land. I may be permitted to illustrate my proposition. Suppose, a man's assets come to about a thousand rupees, and he has got debts to the extent of Rs. 100; in such cases, the bank is doing good service. But my submission to the House is that in such cases there is no necessity for the establishment of a costly Land Mortgage Bank. Even the ordinary banks will be able to do this service to this class of indebted agriculturists. In the case of agriculturists whose assets amount to one thousand rupees and whose debts come to nine hundred rupees, my experience and the general impression prevalent in the country has been, that the bank is not of much help. My submission to the Hon'ble House is that it is in such cases of chronic agricultural indebtedness that the Land Mortgage Bank should make itself felt in the land. I have got my apprehension that the bank has not been doing as much service as was expected of it.

Again, Sir, one other suggestion that I would like to offer is that ways may be found to lower the rate of interest on the debts of agriculturists to the Bank. The rate must be as low as possible. Government should not look at it as a profiteering concern. It is not a profiteering concern at all. It is really a pallistive concern. In this matter, it should never be with a hard business man's genius or point of view that the Government should conduct themselves. Even if the income and the expenditure of the Bank tallies and there is not a single pie as profit for the Government, even then, it will be an immense, gigantic public utility establishment in the whole State. Hence my submission is that as far as possible the Land Mortgage Bank should not be viewed with a profit-maker's attitude.

Another criticism that suggests itself to me strongly is that the number of years provided for repaying the agricultural debts to the Bank is too small. To my humble thinking the present number of years cannot but work hardship on the agriculturists in these days of economic depression and miseries resulting from the world war. So, steps may kindly be taken to see that the number of years for the repayment of these debts be increased.

Mr. V. J. Mathai *(Planters)*: What is it that you propose ?

Mr. K. M. Ibrahim *(Cranganur)*: It may be raised to 30.

Mr. M. K. Devassy *(Adur)*: May I know whether the Government have considered that the rate of interest should be reduced to 5 per cent ?

Mr. P. V. Raphael *(Comptroller of Finance and Accounts)*: We have not considered.

Mr. M. K. Devassy *(Adur)*: Is the Government aware that in the report submitted they have recommended five per cent and 30 years period and whether it will be possible for the Government to adopt that system in the case of Land Mortgage Bank ?

Mr. P. V. Raphael *(Comptroller of Finance and Accounts)*: In the case of interest, it has to be fixed with reference to the rate at which we could issue these debentures and also with reference to establishment and other costs to be incurred by the Bank. It is with reference to these factors that the rate of interest is fixed. If the Board of Directors are of opinion that the interest can be reduced with reference to all these, what objection can the Government have? There is absolutely no objection for the Government to reduce the interest if the Board of Directors think that that can be reduced with reference to all these factors and if they can satisfy the Government on these matters.

Mr. M. K. Devassy *(Adur)*: Whether the Board of Directors will take the initiative is a different question. Government should go into the question straight-away and consider whether consistent with expenditure and the interest which you pay on the debentures, it will be possible to reduce it to 5 and if the Government is convinced, it should induce the Board of Directors to accept. You should lead the initiative.

Mr. P. V. Raphael *(Comptroller of Finance and Accounts)*: In all these matters, the men on the spot, or the people who have to administer the thing have to advise the Government. Government have no objection to place all the factors before the Board of Directors. The discussions that took place in this House will all be available for them and it is for them to suggest to the Government as to how this principle which was enunciated here should be brought into effect.

Mr. A. B. Salem *(Mattancheri)*: What is the maximum rate of interest ?

Mr. P. V. Raphael *(Comptroller of Finance and Accounts)*: 6 per cent.

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Mr. A. V. Moothedan *(Chalakkudi)*: Sir, I wholeheartedly support the motion. In doing so, I make one or two observations, regarding the reduction of the rate of interest, and the extension of the period. At every annual session of the shareholders, a resolution is passed to the effect that the period should be thirty years and the rate of interest 5 per cent. Last year, I moved a resolution and it was passed unanimously. Then the President found some difficulty. The ultimate authority is the shareholders. In the general meeting every year the shareholders decide that the period should be extended to 30 years and the rete of interest 5 per cent.

My friend Mr. Ibrahim made one or two criticisms with regard to the working of the bank. First of all, the bank is not intended to solve chronic indebtedness. According to bye-laws, security is necessary.

Mr. K. M. Ibrahim *(Cranganur)*: A man having assets worth Rs. 1,000 and debts only Rs. 800—should he not be helped?

Mr. A. V. Moothedan *(Chalakkudi)*: To such a man, Rs. 500 only will be given. Now, according to bye-laws and existing practice, 50 per cent of the market value of the property is given as loan. If the value of the property is Rs. 1,000, Rs. 500 will be advanced. It was pointed out that only rich people are helped. It is not so. If you examine the details as to how these loans are disbursed it will be seen that in many cases only sums ranging from Rs. 200 to Rs. 300 are disbursed by way of loans. The Hon'ble member Mr. Ibrahim was saying that the bank does not help chronic indebtedness. I say it could not, because it is beyond its power. If you want to extend help to chronic debtors, then amend the law. The bank is working under a statute, and its powers are limited. They can grant loans only with necessary security, and they are doing it to the best of their ability. It is presided over by an eminent gentleman, a former Chief Justice of the High Court, who is very famous for his honesty and impartiality.

Mr. K. M. Ibrahim *(Cranganur)*: We are not questioning his honesty.

Mr. A. V. Moothedan *(Chalakkudi)*: I must say that there is no institution in Cochin State which is working so well as that bank *(Hear hear)*.

With regard to the reduction of the rate of interest I wish to make one suggestion. The present practice is, for the Government to guarantee debentures which the bank raises in the money market. According to our experience Government have been getting loans at 3½ per cent and the bank at 4 per cent. Therefore, when the bank is raising loans, they are losing half per cent. Why not we give that half per cent to the agriculturists? Therefore, my suggestion is either Government may advance money from the general revenues or the Government may float loans in the open money market and advance the money to the bank. Government need not have any fear at all, because on the Board of Directors they have their own Registrar of Co-operative Societies. The Secretary of the bank is also their own man.

Mr. K. M. Ibrahim *(Cranganur)*: I suppose the Hon'ble member is one of the Directors.

Mr. A. V. Moothedan *(Chalakkudi)*: What doubt is there? I was elected by the shareholders.

Mr. K. M. Ibrahim *(Cranganur)*: I wanted to ascertain that fact, just to understand whether the information you give is reliable or not.

Mr. A. V. Moothedan *(Chalakkudi)*: Very reliable. I know the working of the bank from its very inception. Therefore either the Government should advance the money from the general revenues at 3½ per cent or the Government as a trustee must raise the loan for the bank at 3½ per cent. If the bank is to raise the debenture in the open market then we lose half a per cent. Why not the agriculturists get that half per cent? Government will be losing nothing. If necessary, one clerk may be reduced there. You have already got a Loan Department in the Secretariat. The work may be entrusted to them. Because you guarantee the debentures of the bank, the absolute responsibility for the amount rests with the Government. If you yourself do it, then also the responsibility will be yours. Absolutely no difference. Therefore I would suggest to the Government that Government themselves must raise the loan in the open market and advance the money to the bank at the rate at which they got it. That will help the agriculturists by half a per cent. With these suggestions I support the resolution.

Mr. Shabdai S. Koder *(Nominated)*: In supporting this resolution, I wish to offer a few remarks. These debentures are issued at 4 per cent, but they are not accepted by banks as other gilt-edged securities. My opinion is that the difficulty is due to the transfer of these debentures. A levy of Rs. 2 is demanded by Government; but if Government will make these debentures marketable, I am sure that these debentures can be offered at a lesser rate than 4 per cent, say 3 or 3½ and the difference half can be given to the poor debtors. With these

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words, I support the resolution and I trust that Government will consider this aspect of the question.

Mr. A. B. Salem *(Mattancheri):* Are not these debentures first class securities?

Mr. P. V. Raphael *(Comptroller of Finance and Accounts):* They are not transferable like other gilt-edged securities.

മിസ്റ്റർ കെ. എസ്സ്. പണിക്കർ: സർ, ഈ പ്രമേയത്തെ ഞാൻ അനുകൂലിക്കുന്നതോടു കൂടി ഒരു സംഗതി പ്രത്യേകമായിട്ട് ഗവമ്മെണ്ടിന്റെ ശ്രദ്ധയിൽ കൊണ്ടുവരുവാനുള്ളതു് ലാൻറ് മോട്ട്ഗേജ്ബാങ്കിലെ കാലാവധി മുപ്പതുകൊല്ലമാക്കണമെന്നുള്ളതാണു്. അതു് ഈ നിയമസഭയിൽ ആദ്യം ഒരുപക്ഷേപം മൂലം ഗവമ്മെണ്ടിനെ ഉൽബോധിപ്പിച്ച അവസരത്തിൽ ഗവമ്മെണ്ടിനു് അതിനധികാരമില്ലെന്നും അതു ലാൻറ് മോട്ട്ഗേജ്ബാങ്കിന്റെ പൊതുയോഗത്തിൽ പാസാക്കേണ്ടതാണെന്നും ബാങ്ക് പൊതുയോഗം പാസ്സാക്കുന്ന ഒരു സംഗതിയിൽ ഗവമ്മെണ്ടിനു ഒന്നും ചെയ്യാൻ കഴിവില്ലെന്നും പറയുകയുണ്ടായി. അതിനു ശേഷം ലാൻറ്മോട്ട്ഗേജ്ബാങ്കിന്റെ പൊതുയോഗത്തിൽ അതിനെ സംബന്ധിച്ചു് ഒരു റസലൂഷൻ പാസാക്കീട്ടുണ്ടു്. എന്നാൽ അതിനെ സംബന്ധിച്ചു് ഗവമ്മെണ്ടു് ഇതുവരെ ഒന്നുംചെയ്തിട്ടില്ലെന്നു കണ്ടതുകൊണ്ടു് ഈ പ്രാവശ്യവും ആ കാര്യത്തിനു് "This Council recommends to Government to extend the period of 20 years fixed for the repayment of loans taken from the Land Mortgage Bank to 30 years" ഇങ്ങിനെ ഒരു റസലൂഷൻ ഞാൻ ഇവിടെ കൊണ്ടുവന്നിട്ടുണ്ടു്. ഇനി ഈ കാര്യത്തിൽ ബാങ്കിനെ കുറ്റം പറയുവാനൊ പൊതുയോഗത്തെ കുറ്റം പറയുവാനൊ ഗവമ്മെണ്ടിനു് സാദ്ധ്യമല്ല. ലാൻറ്മോട്ട്ഗേജ്ബാങ്കു് ജനങ്ങൾക്കു വളരെ ഉപകാരപ്രദമായ ഒരു സ്ഥാപനമാണു്. പക്ഷെ അതു ജനങ്ങൾക്കു് കൂടുതൽ പ്രയോജനപ്പെടണമെങ്കിൽ അതിന്റെ കാലാവധി 20 കൊല്ലമെന്നുള്ളതു് 30 കൊല്ലമാക്കണമെന്നുള്ളതു് ഗവമ്മെണ്ടിന്റെശ്രദ്ധയിൽ ഉണ്ടായിരിക്കണം. ഭവനഗരം സ്റ്റോറിൽ കടം കൊടുത്തു് വീട്ടുന്നതിനു 15 കൊല്ലത്തെ കാലാവധി അനുവദിച്ചിട്ടുള്ളതുമാണു്. ബാങ്കു ഈ കാര്യത്തിൽ വേണ്ടതുചെയ്തിട്ടുണ്ടു്. ഇനിയെല്ലാം ഗവമ്മെണ്ടിന്റെ കയ്യിലിരിക്കുന്നു എന്നേ ഞാൻ പറയുന്നുള്ളു. അതുകൊണ്ടു് കാലാവധി ദീർഘിപ്പിക്കുവാൻ ഗവമ്മെണ്ടിനോടു ഞാൻ പ്രത്യേകം അപേക്ഷിക്കുന്നു.

Mr. T. S. Ramachandra Ayyar *(Nemmara):* I welcome this resolution and in doing so I wish to make a few remarks. Sir, the Hon'ble Finance Member told us a few moments back that the bank is contemplating the issuing of debentures only a year hence and he entertains the fear that there may be a fluctuation in the money market. I would advise the Government to advise the bank to issue the debentures even now, because the present condition of the money market is very favourable for the issue of such debentures.

Mr. P. V. Raphael *(Comptroller of Finance and Accounts):* They do not require money now. They require it only about a year hence.

Mr. T. S. Ramachandra Ayyar *(Nemmara):* If the debentures are issued now, the bank can very easily get any amount of money at 3 per cent. Now people are keeping large amounts idle in their hands for want of proper investment and the bank can very easily get any amount of money at 3 per cent.

Mr. President: I will remind the Hon'ble member that there are war loans floated by the Government of India and there they can make proper investments.

Mr. T. S. Ramachandra Ayyar *Nemmara):* Anyhow the fact is there that people are keeping large amounts in their hands.

Mr. V. J. Mathai *(Planters):* Are you keeping?

Mr. T. S. Ramachandra Ayyar *(Nemmara):* No. But many people have large funds lying idle in their hands. They will be only too willing to invest in such debentures issued at 3 per cent and the bank can very safely advance money at 4½ per cent. Even 5 per cent is too high, considering the condition of the money market as it is. The bank can advance money at 4½ per cent and 1½ per cent margin will quite do. Before making itself a party to this proposition, I think the Government will do well to impress upon the bank the necessity of raising the upper limit of the amount of money which the bank advances as loans. Now, only amounts up to Rs. 5,000 are advanced by the bank. If the Government wants to increase the efficiency of this institution, Government will do well to impress upon the bank the importance of raising the upper limits at least up to Rs. 10,000. Only if the upper limit is raised to Rs. 10,000 the *pattadars* of the Chittur Taluk will appreciably be benefited. Several people do not derive the benefit which this bank is intended to give because the upper limit has been fixed at Rs. 5,000.

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I would also like to suggest that a lot of red tapism in the working of the bank can be avoided. Due to the illiteracy of some of the applicants when they apply for a loan it takes even years for them to actually get the loans. I do not propose to describe the various processes through which an application has to pass before the applicant gets a loan. But instead of the present practice of having legal advisers for each Taluk, if a separate legal adviser for the whole State is appointed by the bank, it would save a lot of time and trouble.

Mr. C. V. Iyyu *(Kunnamkulam)*: I think there are more than one legal adviser at present.

Mr. T. S. Ramachandra Ayyar *(Nemmara)*: I want one paid legal adviser for the bank for the whole State to look into the records of all the applicants.

Mr. C. V. Iyyu *(Kunnamkulam)*: Now, money is distributed among so many lawyers. I think that will be a better arrangement than to have one man for the whole State.

Mr. T. S. Ramachandra Ayyar *(Nemmara)*: With these few words, I heartily support the resolution.

Mr. C. R. Iyyunni *(Trichur-South)*: Sir, I wish to say only one word in regard to this resolution, and that is when the debenture is floated, the Government and the bank should see what is the lowest rate at which money can be had. In previous years when debentures were floated, there had been a complaint that the rate of interest that was allowed was much more than the rate of interest at which money could be had, the reason being that a large number of persons and institutions supplying the money are in one way or other connected with the Government.

Rama Varmha Tampuran *(Secretary to Government)*: Government had nothing to do at all with the allocation of these applications. It was all done purely by the bank.

Mr. C. R. Iyyunni *(Trichur-South)*: Last time larger amounts were granted to institutions without any special reasons being assigned for them. When the loan was floated, the amount that was subscribed was more than double the amount that was required, thereby showing that certainly if the rate of interest were lowered a little, we could have got the money. That is exactly the reason why the bank is not in a position to advance money at a rate less than 6 per cent. Therefore, it does not lie in the mouth of the Government to say that they could not lower the rate of interest for the amount advanced. They must see that the amount that is collected on debenture is at the lowest possible rate of interest. At this time of abnormal conditions created by the war, there are very many institutions and individuals who are keeping money with them. Even under ordinary circumstances, it was oversubscribed and that too within a short period. Last time, they wanted only 5 lakhs. But they got 12 lakhs and the major portion of the amounts allotted were for institutions over which Government had something to do, for example, the V. T. K. Estate, the Vadakkemadham Brahmaswam and so on. We do not know whether there was any special reason to do so. Of course, Government may have their own reason. But we are not satisfied with the reasons stated that they have acted properly. What I wish to suggest is if the rate of interest on the loans advanced to the agriculturists is to be lowered, the bank should try to float money at the lowest rate of interest.

Mr. T. S. Ramachandra Ayyar *(Nemmara)*: On a point of information, Sir, May I know what the penal rate of interest that the bank charges on the defaulters is?

Mr. P. V. Raphael *(Comptroller of Finance and Accounts)*: I want notice.

Mr. A. V. Moothedan *(Chalakkudi)*: 7½ per cent.

Mr. V. J. Mathai *(Planters)*: Sir, I think that much of the discussion that has taken place is really foreign to the subject in hand. The only question is whether we should now support the Government in guaranteeing this 20 lakhs debentures. Out of this only 2 points arise—(1) whether the bank is useful and (2) whether the bank is sound and is working properly. These are the only two points. I definitely make this statement because all the other questions are to be left to the Board of Directors of the bank which is an autonomous body. And in these days when people are crying for more and more self-government in every sphere and in every walk of life, to me it appears that the Government should not try to interfere in the working of the bank which is worked by shareholders who are more or less debtors of the bank.

Mr. K. R. Viswambharan *(Ezhuvas-Talappalli)*: Half of them are elected.

Mr. V. J. Mathai *(Planters)*: Yes. Most of the shareholders are debtors themselves. No man who is not a member of the bank can ever get a single pie loan from the bank. To me, therefore, it appears that the constitution of the bank is a model one, where the debtors themselves have a voice in the governance of the bank. To me it appears that asking the Government to poke its nose and its hands into the working of an institution which has been doing very well is rather too much.

LIBRARY ARCHIVES Kerala Legislative Assembly

One Hon'ble member was offering criticisms that loans should be given to each and every one who goes and asks for it, whether he is worth that amount or not. We are told that loans are being issued up to 65 per cent of the value of the property tendered as security. To me it appears that these criticisms are beyond the scope of the discussion.

We have our own elected members on the Board of Directors. Most of them are shareholders of the bank. I suppose most of us are shareholders of the bank. You and I can become shareholder of the bank by paying Rs. 10—4—0. It is as democratic a body as imaginable. Therefore to ask the Government to interfere with an institution with an autonomous governing body would be trying to set back the hands of the clock. You are asking everywhere for self-government. Is it proper to ask Government to interfere with a completely autonomous body which is well presided over by one of the most eminent gentlemen of the land?

Mr. K. M. Ibrahim *(Cranganur)*: The President may be an eminent man. But the bank works under a statute. It is up to the Government to see whether it is alright.

Mr. V. J. Mathai *(Planters)*: Then it is for you to bring in an amendment to the Act instead of now coming and saying that the period for repayment should be spread over 30 or 40 years. I must say that the Directors of the Board are really considering all the pros and cons of every question. Apart from this it appears to me that 20 years is a decent period. If you ask them to extend the period to 30 or 40 years, several other difficult questions will arise as to whether you can get loans on debentures payable 30 years hence. That is a question immediately connected with this.

As regards the soundness of the bank there is no whisper from any quarter that it is unsound. No suspicion has ever been cast upon this institution, when suspicion is cast upon everything in this Cochin State. Like Ceasar's wife, the bank ought to be placed and is above suspicion. I think we should tell the bank.....you are doing well, go ahead. In this respect I am only sorry that the bank is asking only for 20 lakhs of rupees. They ought to have asked for more, say 200 lakhs of rupees, and Government ought to guarantee it. It is in that spirit that we should view this question. In all quarters of the land, we are hearing nothing but praise of the bank, that it is working for the benefit of the land. To me it appears that it is a model institution which deserves support, a model institution whose recommendations should be taken as dictates by us, because it is working in such a fashion.

Mr. A. B. Salem *(Mattancheri)*: May I know, Sir, whether in the previous years when debentures were issued by the bank it was done with the consent of this House?

Mr. P. V. Raphael *(Comptroller of Finance and Accounts)*: Yes, it was sanctioned here.

Mr. M. K. Devassy *(Adur)*: Sir, I rise to support this motion. I was provoked to speak on this resolution because my Hon'ble friend Mr. Mathai was raising objection to a policy which I consider to be very important. To say that the Land Mortgage Bank is almost a private institution.

Mr. V. J. Mathai *(Planters)*: I did not say that. What I said was it is an autonomous body.

Mr. M. K. Devassy *(Adur)*: That the policy adopted by the Land Mortgage Bank cannot be interfered with by the Government and that it is solely to be guided by the opinion of the Board of Directors and that this House will be going out of its way in making its comments upon the Land Mortgage Bank, appear to me to be a highly suicidal policy which the Government and this House should not fall a prey to. Private institutions or banks run under the Company Law are entirely different from the Land Mortgage Bank. The Land Mortgage Bank is a public institution which has come into existence on the initiative of the Government when it thought that it is absolutely necessary that there should be such an institution to help the agriculturists of the State. It is as a public institution again that the Land Mortgage Bank, in its staff, in its very constitution and in every detail of its management is controlled and financed by the Government. I ask this House, unless we express our views with regard to such a public institution, with regard to the policy to be followed by that institution, on occasions like this when motions for debentures are made, when are we going to discharge our duty of expressing our views regarding an institution which the Government has thought to be a public institution for public benefit. It is a fundamental mistake to think that Government ought not to interfere with the policy of such institutions, if it finds that such policy is not conducive to the welfare of the people. The only question is whether this House is taking a radical view in suggesting that the rate of interest should be reduced to 5 per cent, whether we are suggesting to the Government such a suicidal policy that the moment that policy is adopted by the Government, the bank will collapse. I would think, Sir, that it is speculating too far to think so, because when the Government proposed to issue credit bonds to the agricultural debtors of the State, and for that purpose appointed a committee consisting of very prominent Members of this House including the present Hon'ble Minister for Rural Development, the Ex-Minister Dr. A. R. Menon, the present Secretary to

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Government, who was then Comptroller—and I myself was a humble member of that committee—presided over by the Chairman of the Land Mortgage Bank, Rao Sahib C. V. Antony, that committee going into the whole question and discussing a memorandum placed before the committee by the Diwan carefully prepared after considering and studying the whole question have unanimously recommended a period of 30 years and a five per cent interest. If the Government thinks that the unanimous opinion of such a body is an irresponsible view I have nothing to say. But the Government itself cannot do so as it was represented there by the Chief Secretary Mr. Komattil Achyuta Menon and the Comptroller of Finance and Accounts, the present Secretary. I wish to say if no importance is going to be attached to such accepted views which have come from very responsible committees and in which there was a full representation of the whole question by the President of the Land Mortgage Bank himself I should think that the Government would be failing in its duty if it does not examine the question and take the initiative to follow the proper policy in the interests of the public of Cochin. It was only with this purpose of clearing a fundamental mistake advocated by my Hon'ble friend that the Government have no duty cast upon it to examine the policy followed by the Land Mortgage Bank and that this House is going out of its way in making suggestions in such an important public matter that I stood up.

Mr. P. V. Raphael *(Comptroller of Finance and Accounts)* : Sir, I beg to touch upon a few points that have been raised by the Hon'ble speakers today. It had been suggested that the Land Mortgage Bank caters to the needs of the rich more than that of the poor. This is indeed a very serious charge. But I have figures to place before this house to show that there is absolutely no truth whatever in that statement. This is the Administration Report of the Land Mortgage Bank for the year 1116 from which it will be seen that they have issued in that year loans under the following categories.—

Rs. 250 and below	..	19 loans
Rs. 251 to Rs. 500	..	61 ,,
Rs. 501 to Rs. 1,000	..	70 ,,

Mr. K. M. Ibrahim *(Cranganur)* : Does the smallness of the loan mean that it goes to the deserving people ?

Mr. P. V. Raphael *(Comptroller of Finance and Accounts)* : I suppose the millionaire will not approach the bank for a loan of Rs. 250. I suppose Mr. Ibrahim will not approach for a loan of Rs. 250.

Mr. K. M. Ibrahim *(Cranganur)* : Why not ? If I want only that much, I will surely approach the bank.

Mr. P. V. Raphael *(Comptroller of Finance and Accounts)* : Then they have given loans of amounts ranging from Rs. 1,001 to Rs. 5,000 to 20 people. This gives the lie direct to the charge that the Land Mortgage Bank which has been receiving praise from all quarters has been catering to the needs not only of the rich but also to a very great extent the needs of the poor in the State. The statement that the rich alone gets it is not correct at all. It is true that the Land Mortgage Bank never gives loans to each and everyone who asks for it. Chronically indebted people have no admission to that institution. In advancing these loans they look to the repaying capacity of the people who take the loans and also they see whether they could offer adequate and proper security, because the bank feels that they have got a responsibility in dealing with the money that they have borrowed and that they should see that the money is repaid at the proper time.

Mr. A. B. Salem *(Mattancheri)* : Have there been very many cases where bonafide applications were rejected ?

Mr. P. V. Raphael *(Comptroller of Finance and Accounts)* : Not many.

Mr. K. M. Ibrahim *(Cranganur)* : A large number have been rejected.

Mr. P. V. Raphael *(Comptroller of Finance and Accounts)* : There must have been a few applications rejected. I have got figures here to show the amount of money they have advanced as loan.

As regards the rate of interest, of course, there has been much talk about that and it is a very serious question to be considered. But in fixing the rate of interest for these debentures we have to remember one important factor and thet is these debentures should not come into conflict with the loans that Government have raised themselves.—I mean the State loans. We have raised loans here at 3½ per cent and very probably by the time these debentures come to be issued we may have to redeem our 5 per cent loan and convert it again into 3½ per cent loan. So that if we are going to reduce the rate of interest for these debentures, I am afraid these debentures may not find ready purchasers, especially in view of the fact that the Government of Cochin may at about that time raise a loan to pay off their 5 per cent loan.

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These are, all factors to be considered in determining this question. In addition to that, as remarked in this House, these debentures are not negotiable, and if they are to be negotiated they should be registered on stamped paper.

Mr. C. R. Iyyunni *(Trichur-South)*: There was over-subscription last time.

Mr. P. V. Raphael *(Comptroller of Finance and Accounts)*: Last time there was not this feature. In fixing the rate of interest we have got to be very careful. These are all points which I hope the autonomous body of the Board of Directors of the Land Mortgage Bank will duly take into consideration and if they make suitable and proper representations to the Government, the Government will have no objection to consider these matters most sympathetically.

Another important point raised was with regard to the period of repayment of loans. This was a question which was agitated on the floor of this House very often and it is also true that the general body of the shareholders have passed in their meeting that the repayment period may be fixed at 30 years. But I am afraid the Board of Directors are not so very hasty as the general body. They are guided by more sane and more valid considerations. In support of that I would place before the House a few points which were touched upon in the report of the Committee on Co-operation in Madras 1939—1940. It was presided over by Sir T. Vijayaraghavacharia, our old Diwan, assisted by members some of whom are eminent economists. They considered the question of fixing the repayment period at 30 years and they came to the conclusion that it should not be beyond 20 years. These are the reasons that they adduced to fix the period at 20 years.—

"Firstly, we are afraid that the period of 30 years is not likely to attract the investing public as much as the existing period of 20 years and that there would be difficulty in raising debenture money for 30 years. Secondly, if money for 30 years is to be obtained, a high rate of interest will have to be paid, which will increase the cost of the loan. Thirdly, few loans will be repaid in the lifetime of the borrower and to lend for so long a period may result ultimately in endless difficulties with co-partners and the like. So long as the law of inheritance remains what it is, the land is subject to sub-division on the death of the borrower and when sub-division occurs, difficulties of repayment of the loan taken may ensue. Fourthly, in view of the popular feeling that even usufructuary mortgages should not exceed 20 years, we feel that it is not desirable that mortgages should continue beyond that period. If a borrower cannot be expected reasonably to repay a loan taken for the discharge of his prior debts, he should be deemed to be an insolvent for all practical purposes and relief should be given by the application of the provisions of rural insolvency law the need for which we have suggested elsewhere. The remedy does not lie in lowering the amount of equated instalments by extending the period beyond 20 years, because a mortgage bank has to look to the ability of the borrower to repay and where loans have been advanced for discharge of old debts, the repaying capacity does not go on increasing with the length of the period. We are not deterred by the apprehension that the longer the period of the loan, the greater is the danger of the debtor forgetting the benefit received by him and of becoming slack in repayment, because, as the loan goes on diminishing, the security, so far as bank is concerned, increases and the debtor may be expected to become more vigilant in repayment for fear of foreclosure. Nonetheless we feel that the balance of advantage lies in favour of the continuance of the present practice of mortgage banks confining themselves to 20 year loans for the discharge of prior debts".

Very valid reasons they give. This committee went into this question in full detail and they have come to the conclusion that it should not be beyond 20 years. However, in the light of these things and in the light of the opinions expressed on the floor of this House if the Directors would still consider that question and want that it must be raised to 30 years the Government may consider that question.

Mr. K. S. Panickar *(Ezhuvas-Mukundapuram)*: Is not the Land Mortgage Bank an independent institution?

Mr. P. V. Raphael *(Comptroller of Finance and Accounts)*: No. The Land Mortgage Bank functions subject to the general control of the Government. But thanks to the liberality of the Cochin Government they never go and interfere with its working.

Mr. E. Ikkanda Warrier *(Cheruthuruthi)*: Is it not the Government who have fixed the period of 20 years?

Mr. P. V. Raphael *(Comptroller of Finance and Accounts)*: The Statute fixed it.

Therefore, I submit that this question of rate of interest and the question of extending the period to 30 years, are questions which have to be considered very carefully. The Government will have no objection to give due consideration to these points.

Mr. T. S. Ramachandra Ayyar *(Nemmara)*: What about the raising of the maximum amount to be given as loans?

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Mr. P. V. Raphael *(Comptroller of Finance and Accounts):* You will ask for 10,000 today, on another occasion you will ask for 15,000. Where is the limit?

Resolution put and carried.

(*b*) NON-OFFICIAL RESOLUTIONS

RESOLUTION No. 38 *(cont.)*

Introduction of a Bill providing for an instalmental scheme of payments of the debts

"This Council recommends to the Government to introduce a bill providing for an instalmental scheme of payment of the debts of the agriculturists spreading over a period of at least 15 years.

[Mr. M. K. Devassy]

Mr. A. V. Moothedan *(Chalakkudi):* I have introduced several bills for instalment payment and I had fixed 6 years. I do not know whether my friend's ambition will be fulfilled for getting instalment payment for 15 years. On account of the present economic conditions there is great difficulty for finding money and discharging debts. There is a general uncertainty among the people and therefore lands in towns cannot be sold. Especially in the port area many of the houses are vacant. In the rural places the price of land is high. Very many people are asking for land. Here, in Cochin and Ernakulam, there is nobody to purchase land. Therefore, even though this resolution is generally worded something should be done in the matter. If not 15 years, some time should be given.

Mr. V. J. Mathai *(Planters):* Sir, I rise to oppose this motion. However much one may want to remain silent really speaking at times one's blood begins to boil. What is this resolution? That all debts of agriculturists should be spread over a period of 15 years. If only you go into the implications of this proposition you will understand the seriousness of the resolution. I do not know what are the terms to be used as against this resolution. Take, for example, the case of a bank. It is a sweeping proposition. There are no exemptions. The Agriculturist Debtors' Relief Act remains on the Statute Book and as soon as this a recommendation is made to the Government that the Government should bring a Bill making all debts in the State payable in the course of 15 years.

In the first place, you must remember that there are banks which are existing on credit. Do you mean to say that banks which take money from people on fixed deposits, savings bank accounts and current accounts and advance them as loans to other people should be asked to wait for 15 years to get their money? Very many of the debtors of the banks are agriculturists. 90 per cent of the people in the State are agriculturists, and I believe that at least 75 per cent of all the debtors of the banks will be agriculturists. Therefore, you say that 75 per cent of the constitutents of a bank need pay their debts back only within 15 years. The whole point is, why you are not allowing the benefit to such institutions in this country such as banks on the solvency of which the credit of the State depends. If a law is passed like that today all the current amounts will be exhausted in one minute. The monies due to the bank will be given back only in 15 years because most of the men are agriculturists. Take kuries. We all know that so far as the Cochin State is concerned kuries are an institution born with the land. The very structure of the kuries is that while a few individuals periodically pay a particular subscription to the kuri one lump sum ought to be paid to the person who bids the kuri or gets the prize. Now, so far as the kuri is concerned if all the subscribers are agriculturists and if the kuri debts are included in this the kuries will be unable to pay any money to the winners or to the people who bid the kuries. Therefore, the kuries will fail. The banks will fail. Take the case of individuals who are not agriculturists but who have lent money. Take the case of shop-keepers who have lent their money to the agriculturists. These shop-keepers might have borrowed money from banks and because they are excluded from the category of agriculturists they do not get the advantage of this resolution. Therefore, all the shops will fail. If this proposition is given effect to it will be doing the work of a nihilist. It is as clear as the day. Therefore, if it is the intention of the mover to destroy everybody in the world this proposition can be accepted.

Mr. K. R. Viswambharan *(Ezhuvas-Talappalli):* Will he remain?

Mr. V. J. Mathai *(Planters):* I don't know. Under the new circumstances he may remain. Suppose an agriculturist in this land where dowries are prominent has to marry away his daughter next year. By hard toil for a period of 30 years he might have made Rs. 1,000 to send away his daughter in marriage and that he has lent to another agriculturist. That agriculturist need pay back only in 15 years. Therefore, this agriculturist's daughter must

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